

# Communiqué of the International Monetary and Financial Committee of the Board of Governors of the International Monetary Fund

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October 4, 2009

The International Monetary and Financial Committee held its twentieth meeting on October 4, 2009 in Istanbul, chaired by Dr. Youssef Boutros-Ghali, Minister of Finance of Egypt.

## Policies for Sustainable Recovery and Financial Stability

**1. Decisive and concerted policy actions are yielding signs of early recovery.** We commit to maintaining supportive fiscal, monetary, and financial sector policies until a durable recovery is secured, and stand ready to act further as needed to revive credit, recover lost jobs, and reverse setbacks in poverty reduction. We emphasize that agreed financial sector and regulatory reforms should be completed without delay. We reaffirm our collective responsibility to avoid protectionism in all its forms. It is also important to continue international support for low-income countries' efforts to implement their long-term development plans and to combat poverty, and to continue monitoring the impact of the crisis on these economies.

**2. We welcome the outcomes of the G-20 Summit in Pittsburgh and support its commitment to articulating policies for strong, sustained, and balanced growth in the global economy.** Building on the IMF's central role in bilateral and multilateral surveillance, we call on the Fund to assist the G-20 mutual assessment by developing a forward-looking analysis of whether policies are collectively consistent with more sustainable and balanced trajectories for the global economy. We will remain vigilant to prevent financial sector excesses and the reaccumulation of unsustainable global imbalances. To this end, all countries need to reinvigorate their structural reform agendas supported by sound fiscal, monetary, exchange rate, and financial sector policies. We look forward to an update on these efforts by the time of our next meeting.

**3. As the recovery takes hold, we are committed to work together in articulating and implementing credible and coordinated exit strategies** for the withdrawal of public support for the financial sector, orderly unwinding of monetary policy support, and fiscal consolidation needed to underpin long-term sustainability. We call on the Fund to develop, by the time of our next meeting, principles for orderly and cooperative exit strategies taking into account country specific circumstances, and to advise on the development of exit policies and their consistency with global recovery and macro-financial stability.

## Governance Reforms

**4. Quota reform is crucial for increasing the legitimacy and effectiveness of the Fund.** We emphasize that the IMF is and should remain a quota-based institution. We recognize that the distribution of quota shares should reflect the relative weights of the Fund's members in the world economy, which have changed substantially in view of the strong growth in dynamic emerging market and developing countries. In this context, we support a shift in quota share to dynamic emerging market and developing countries of at least five percent from over-represented countries to under-represented countries using the current quota formula as the basis to work from. We are also committed to protecting the voting share of the poorest members. We urge all members to promptly consent to the still pending 2008 quota and voice reform. We call on the Executive Board to meet the agreed target of January 2011 for completing the Fourteenth General Review of Quotas. We ask the Fund to report on progress achieved in these areas at our next meeting.

**5. We thank the Executive Board for its report on Fund governance reforms.** We ask the Executive Board to continue to examine the full range of governance reforms. The Executive Board will report on progress on these issues at our next meeting. We intend to adopt an open, merit-based and transparent process for the selection of IMF management at our next meeting.

## Fund Surveillance and Mandate

**6. Important strides have been made to enhance Fund surveillance,** including the launch of the IMF-FSB Early Warning Exercise, and ongoing efforts to strengthen financial sector and cross-country analysis. We ask the Fund to begin implementing rapidly the new

flexible framework for the Financial Sector Assessment Program (FSAP), and to ensure that it can deliver sharper macro-financial surveillance and better integration into bilateral surveillance. Undertaking regular FSAP reviews and updates, particularly by systemically important countries, would contribute to effective macro-financial surveillance. We encourage further strengthening cross-country, regional, and multilateral surveillance, and look forward to the review and enhancement of the Fund's transparency policy. We endorse the updated Surveillance Priorities, and call on members to work with the Fund in achieving its goals.

**7. More broadly, the crisis has shown that a further reassessment of the Fund's mandate is in order.** We call on the Fund to review its mandate to cover the full range of macroeconomic and financial sector policies that bear on global stability, and to report back to the Committee by the time of the next Annual Meetings.

#### **Fund Financing and International Liquidity**

**8. We thank members that have committed temporary resources to the Fund, allowing more than a tripling of its lending capacity in response to the crisis,** and welcome the expected agreement on a renewed and more flexible NAB expanded by over US\$500 billion, which will be reviewed in light of the outcome of the Fourteenth General Review of Quotas. In the context of this review, the Fund should examine the appropriate size and composition of its resources needed to safeguard its long-term ability to meet members' needs, consistent with the Fund's status as a quota-based institution. We look forward to discussing the size of the overall increase in quotas, which also helps facilitate changes in quota shares.

**9. We commend the Fund's innovative efforts to improve financial safety nets for member countries.** Fund financial support to many members as well as the SDR allocations of US\$283 billion have helped restore confidence. The Flexible Credit Line (FCL), in particular, has provided important support to a number of emerging market economies. At the same time, increased concessional support has provided additional space in low-income countries for countercyclical policies.

**10. The Fund should continue to strengthen its capacity to help its members cope with balance of payments problems, including financial volatility, and reduce the perceived need for excessive reserve accumulation.** We ask the Fund, by the time of the next Annual Meetings, to study and report on the future financing role of the Fund. Building on the success of the FCL and high access precautionary arrangements, this study should consider whether there is a need for enhancing financing instruments and whether this can offer credible alternatives to self-insurance, while preserving adequate safeguards. We also call on the Fund to study other policy options to promote long-term global stability and the proper functioning of the international monetary system.

**11. The overhaul of the Fund's concessional lending framework** and its commitment to more than double concessional lending are welcome and significant steps. They will help meet the increased financing needs of low-income countries, with due regard for debt sustainability. We look forward to full implementation of the new income model, including the agreement on gold sales, and the commitment to provide additional subsidy resources. We welcome the commitment by some members to provide additional loan and subsidy resources. We urge other potential contributors to step up expeditiously their loan and subsidy contributions to ensure adequate resources for the agreed increase in IMF concessional lending.

12. The next IMFC meeting will be held in Washington, D.C. on April 24, 2010. An IMFC Deputies' meeting will be convened to prepare our next meeting and to take stock on progress made.

#### **INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE ATTENDANCE**

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